



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 7, 2001

### **Security Assistance Act of 2001**

*As ordered reported by the Senate Committee on Foreign Relations  
on November 14, 2001*

#### **SUMMARY**

The Security Assistance Act of 2001 would authorize appropriations in 2002 and 2003 for foreign military financing, international military education and training, nonproliferation, and anti-terrorism assistance programs. It would create a new debt-for-nonproliferation program with Russia and authorize appropriations in 2002 and 2003 for the cost of modifying Soviet-era and food-aid loans to Russia. The bill also would earmark spending for other security assistance and State Department programs. The Security Assistance Act of 2001 would reestablish the Special Defense Acquisition Fund as a revolving fund outside the appropriations process with a capitalization of \$200 million. Finally, the bill would reappropriate \$4 million for foreign military financing for Israel and authorize the sale of certain naval vessels.

CBO estimates that implementing the Security Assistance Act of 2001 would result in almost \$5.9 billion in discretionary spending over the 2002-2006 period, assuming the appropriation of the authorized amounts. CBO also estimates that enacting the bill would reduce direct spending by \$31 million over the 2002-2006 period. This amount includes estimated receipts from asset sales of \$36 million over the 2002-2003 period. Because the Security Assistance Act of 2001 would affect direct spending, pay-as-you-go procedures would apply.

The Security Assistance Act of 2001 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of the Security Assistance Act of 2001 is shown in Table 1. The costs of this legislation fall within budget function 150 (international affairs).

TABLE 1. BUDGETARY IMPACT OF THE SECURITY ASSISTANCE ACT OF 2001  
(By fiscal year, in millions of dollars)

|   | 2002  | 2003  | 2004  | 2005 | 2006 |
|---|-------|-------|-------|------|------|
| <b>SPENDING SUBJECT TO APPROPRIATION</b>                                |       |       |       |      |      |
| Spending under Current Law for Security Assistance and Related Programs |       |       |       |      |      |
| Authorization Level <sup>a</sup>  | 5,361 | 0     | 0     | 0    | 0    |
| Estimated Outlays   | 5,933 | 2,500 | 613   | 273  | 147  |
| Proposed Changes  |       |       |       |      |      |
| Estimated Authorization Level   | 220   | 6,147 | 0     | 0    | 0    |
| Estimated Outlays   | 22    | 3,175 | 1,948 | 523  | 184  |
| Spending Under the Security Assistance Act of 2001                      |       |       |       |      |      |
| Estimated Authorization Level   | 5,581 | 6,147 | 0     | 0    | 0    |
| Estimated Outlays   | 5,955 | 5,675 | 2,561 | 796  | 331  |
| <b>CHANGES IN DIRECT SPENDING (Excluding Asset Sales)</b>               |       |       |       |      |      |
| Estimated Budget Authority  | 4     | 20    | 0     | 0    | 0    |
| Estimated Outlays   | 4     | 8     | 8     | -7   | -8   |
| <b>ASSET SALES</b>  |       |       |       |      |      |
| Estimated Budget Authority  | -18   | -18   | 0     | 0    | 0    |
| Estimated Outlays   | -18   | -18   | 0     | 0    | 0    |

a. The 2002 level is the amount authorized for that year in Public Law 106-280, the Security Assistance Act of 2000, or appropriated in Public Law 107-77, the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriation Act, Fiscal Year 2002.

## BASIS OF ESTIMATE

Most of the bill's budgetary impact would stem from authorizations for current programs administered by the Departments of Defense (DoD) and State. In addition, the bill contains earmarks for various programs and activities. Earmarks for programs and activities for which funds have not otherwise been authorized or appropriated are treated as new authorizations and their budgetary impact is included with spending subject to appropriation. Earmarks of current appropriations could affect direct spending and their effect is included with the

bill's other provisions that would affect direct spending. Finally, the provisions authorizing the transfer of naval vessels would increase collections from asset sales.

## Spending Subject to Appropriation

The estimate assumes enactment of this legislation before the end of calendar year 2001 and subsequent appropriation of the authorized amounts for each year. CBO estimates that implementing the bill would cost about \$5.9 billion over the 2002-2006 period. The estimate assumes that outlays for existing programs would follow historical patterns.

Spending subject to appropriation would be affected by the legislation in two ways. First, the bill specifies authorizations of appropriations totaling about \$4.1 billion for fiscal year 2002, and about \$4.8 billion for fiscal year 2003 (see Table 2). Most of the 2002 level, however, has already been authorized by Public Law 106-280, the Security Assistance Act of 2002.

In addition, the bill would earmark additional funds, some of which have been previously appropriated. The totals of such earmarks are about \$1.5 billion for 2002 and about \$1.4 billion for 2003 (see Table 3).

Taken together, the specific authorizations and earmarks of additional funds result in net new authorizations of \$220 million in 2002 and \$6.1 billion in 2003 (as shown under "Proposed Changes" in Table 1).

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TABLE 2. SPECIFIC AUTHORIZATIONS OF APPROPRIATIONS IN THE SECURITY ASSISTANCE ACT OF 2001, (By fiscal year, in millions of dollars)

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| Account/Program  | 2002       | 2003       |
|--|------------|------------|
| Foreign Military Financing <sup>a</sup>                    | 3,674      | 4,267      |
| International Military Education and Training <sup>a</sup> | 75         | 85         |
| Nonproliferation Assistance <sup>a</sup>                   | 73         | 75         |
| Anti-terrorism Assistance <sup>a</sup>                     | 142        | 152        |
| Debt for Nonproliferation                                  | <u>100</u> | <u>200</u> |
| Total specified authorizations                             | 4,064      | 4,779      |

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a. For 2002, the authorizations represent an increase over the amounts authorized for those programs in Public Law 106-280, the Security Assistance Act of 2000, of \$47 million for foreign military financing and \$10 million for international military education and training.

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**Specific Authorizations.** The Security Assistance Act of 2001 would authorize appropriations for 2002 and 2003 as shown in Table 2. For 2002, the authorizations for existing programs represent an increase of \$57 million over the amounts authorized for those programs in Public Law 106-280.

Subtitle B of title III would establish a new debt-for-nonproliferation program and would authorize the appropriation of \$100 million in 2002 and \$200 million in 2003 for the cost of modifying Soviet-era and food-aid debt owed to the United States by Russia. The bill would authorize the Secretary of State to negotiate an agreement with the Russian Federation that would segregate a portion of the Federation's budget equal to the amount that it would otherwise have to pay the United States on the outstanding loans and place it under the effective control of the U. S. Government. The bill would require that a significant portion of those funds be spent on nonproliferation activities. The bill would also authorize the use of the funds for activities to promote an independent media and the rule of law in Russia. The debt modifications would include authority to reduce and to restructure debt, to swap the debt, or to sell the debt to an eligible purchaser. The amounts authorized in this section would be used to cover the cost, as defined by the Federal Credit Reform Act, of modifying the debt. CBO estimates no outlays from the appropriation of the authorized amounts for this purpose because we believe that negotiating a framework agreement under the bill would be difficult and would likely not be completed.

**Earmarks of Funds Not Specifically Authorized.** The bill contains numerous earmarks that could affect spending. In addition to earmarks of amounts specifically authorized, the bill would earmark amounts that are not otherwise authorized and some funds already appropriated as shown in Table 3.

The bill would extend earmarks of the economic support fund for Israel and Egypt contained in Public Law 106-280, the Security Assistance Act of 2000, into 2003. Sections 241 and 242 would authorize using specific amounts of development assistance funds for the destruction of surplus weapons and for demining programs. Section 606 also would earmark \$1.5 million in development assistance funds for a grant to the North Carolina State University for research on crop and livestock pathogens. Since there is no current authorization for development assistance, the estimate treats the \$51.5 million in earmarks for destruction of surplus weapons, demining programs, and the grant to North Carolina State University as new authorizations.

TABLE 3. ADDITIONAL AUTHORIZATIONS THROUGH EARMARKS OF FUNDS NOT OTHERWISE AUTHORIZED (By fiscal year, in millions of dollars)

| Program/Activity                                       | 2002      | 2003      |
|--|-----------|-----------|
| Economic Support Fund for Israel <sup>a</sup>          | 720       | 600       |
| Economic Support Fund for Egypt <sup>a</sup>           | 655       | 615       |
| Assistance for Destruction of Surplus Weapons          | 10        | 10        |
| Demining Programs                                      | 40        | 40        |
| Grant to North Carolina State University               | 2         | 0         |
| State Department, Diplomatic and Consular Programs:    |           |           |
| Bureau of Verification and Compliance <sup>b</sup>     | 16        | 14        |
| Office of Defense Trade Controls <sup>b</sup>          | 10        | 10        |
| State Department, Capital Investment Fund <sup>b</sup> | 4         | 4         |
| Contribution to International Organizations:           |           |           |
| International Atomic Energy Agency <sup>b</sup>        | <u>60</u> | <u>75</u> |
| Total Additional Authorizations                        | 1,517     | 1,368     |

a. The amounts for the 2002 economic support fund were authorized in Public Law 106-280, the Security Assistance Act of 2000.

b. Funds for 2002 were provided in Public Law 107-77, the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriation Act, Fiscal Year 2002.

The bill would earmark funds provided in Public Law 107-77, the Departments of Commerce, Justice, State, the Judiciary, and Related Agencies Appropriation Act, Fiscal Year 2002. Except for the 2002 contribution to the International Atomic Energy Agency (IAEA), the amounts shown in Table 3 for the Bureau of Verification and Compliance, the Office of Defense Trade Controls, and the State Department, Capital Investment Fund are minimum levels that the department must make available from existing appropriations. The budgetary effect of these earmarks on 2002 spending is discussed below under direct spending. For 2003, the amounts specified for these same three programs/activities are treated as new authorizations in that year. Section 308 would authorize \$60 million for the IAEA in 2002. That amount is \$11 million higher than amount already appropriated in 2002. CBO considers the additional \$11 million as an authorization for 2002.

## Direct Spending

The bill contains provisions that would reduce direct spending through the sale of naval vessels. It also contains provisions with direct spending costs. On balance, CBO estimates that enacting the Security Assistance Act of 2001 would result in net savings in direct spending totaling \$31 million over the 2002-2006 period.

The earmarks in title I and title IV would increase spending by the State Department's Bureau of Verification and Compliance and the Office of Defense Trade Controls. But CBO assumes the increases for those programs would be taken from unearmarked programs and activities within the department and would not significantly affect spending.

Section 203 would reestablish the Special Defense Acquisition Fund (SDAF) as a revolving fund capitalized with \$200 million from defense offsetting receipts. It would strike a provision of existing law that limits obligations by the fund to amounts provided in advance in appropriations acts and substitutes language that would limit obligations to amounts authorized by law. The bill also would authorize \$20 million in obligations from the fund in 2003. In the past, the SDAF purchased defense articles in anticipation of their sale to foreign governments. Based on information from the Department of Defense, the average lag between obligation by the SDAF and sale was two to three years, though some items were held longer. While the bill is vague on what items may be purchased with the \$20 million it would provide, CBO estimates that most of the items would be sold over the 2003-2006 period based on historical experience.

Section 221(c) would reappropriate \$4 million for foreign military financing for Israel, the amount rescinded in 2001 by the 0.22 percent across-the-board rescission in Public Law 106-554, the Consolidated Appropriations Act of 2001.

Two other sections would have an insignificant effect on direct spending. Section 306 would make it easier for certain engineers and scientists from the former Soviet Union and the Baltic States to obtain immigrant visas. This provision could affect the level of fees collected and spent by the Immigration and Naturalization Service. However, CBO expects that any such effects would be insignificant because the number of persons aided by the bill would be small. In addition, section 204 would increase spending on representation allowances for the foreign military sales program by \$14,000 a year. The funds would come from fees collected for administrative expenses of the program.

## **Asset Sales**

Section 701 would authorize the transfer of 10 naval vessels to foreign countries. It would authorize the sale of three vessels; the other seven would be given away. Information from DoD indicates that the asking price for the three ships would be approximately \$40 million. There is significant uncertainty as to whether all three vessels would be sold and what the sale price might be. Reflecting this uncertainty, CBO estimates that receipts from these sales would total \$18 million in 2002 and \$18 million in 2003.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in Table 4. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 4. ESTIMATED IMPACT OF THE SECURITY ASSISTANCE ACT OF 2001 ON DIRECT SPENDING AND RECEIPTS (By fiscal year, in millions of dollars)

|                     | 2002           | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|----------------|------|------|------|------|------|------|------|------|------|
| Changes in outlays  | -14            | -10  | 8    | -7   | -8   | 0    | 0    | 0    | 0    | 0    |
| Changes in receipts | Not applicable |      |      |      |      |      |      |      |      |      |

## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The Security Assistance Act of 2001 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## PREVIOUS CBO ESTIMATE

CBO prepared cost estimates for two other acts that contain provisions that would authorize the transfer of the same naval vessels as this bill. On May 4, 2001, CBO transmitted an estimate for H.R. 1646, the Foreign Relations Authorization Act, Fiscal Years 2002 and 2003, as ordered reported by the House Committee on International Relations on May 2, 2001. On September 19, 2001, CBO transmitted an estimate for S. 1416, the National Defense Authorization Act for Fiscal Year 2002, as reported by the Senate Committee on Armed Services on September 12, 2001. Both of those acts would authorize the sale of the same vessels specified in the Security Assistance Act of 2001 along with four additional ships. CBO's estimates of the proceeds from the sale of the three ships identified in this bill are unchanged from our previous estimates. Differences in the other estimated costs reflect differences in the legislation.

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